

**CITY of
SPRINGFIELD**



Internal Audit Report

Revenue Collection Procedures in the Public Works Department

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Revenue Collection Procedures in the Public Works Department

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May 4, 2009

Honorable Mayor and Members of the City Council:

I am pleased to present the internal audit report on Revenue Collection Procedures in the Public Works Department. The purpose of the audit was to evaluate controls and identify opportunities to enhance the revenue collection procedures used in the Public Works Department.

Actions have been taken by some Public Works Divisions since the state audit to improve financial controls over collection functions. However, opportunities to further strengthen controls have been identified. I provided a discussion draft to the department on December 4, 2008 and we met to discuss the draft on December 22, 2008. The department provided draft responses on March 4, 2009 which were finalized on March 26, 2009 and have been included in the report. The department was very responsive to the recommendations.

I would like to thank the Public Works Department for their full cooperation and assistance provided during this audit.

Respectfully submitted,

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Internal Auditor
City of Springfield

cc: Greg Burris, City Manager
Evelyn Honea, Deputy City Manager
Collin Quigley, Assistant City Manager

Internal Audit Report

Background The Public Works Department is the largest department in Springfield's City government. The department encompasses eight divisions including: Administration, Traffic Engineering, Sanitary Services, Solid Waste Management, Engineering, Storm Water Services, Street Maintenance, and General Operations (including the Service Center).

Services provided by the Public Works Department include:

- Design, construct, and maintain city streets and sidewalks.
- Operate and maintain traffic control signals and traffic signs.
- Manage solid waste disposal system including recycling centers and landfill.
- Maintain public rights-of-way and Hazelwood Cemetery.
- Maintain municipal facilities.
- Coordinate snow removal from city streets.
- Operate and maintain wastewater infrastructure including treatment plants and sewer lines.

Management of the Public Works Department is responsible for establishing and maintaining an effective system of internal accounting controls. This system should be under continuing review by management to determine that it is functioning as prescribed and is modified as appropriate for changes in conditions.

Objectives of the Audit:

This audit was scheduled to be performed in the Internal Auditor's 2008-2009 Audit Working Plan as part of an ongoing series of accounting control procedure audits.

The objectives of this audit were to:

1. Evaluate the effectiveness of the department's internal controls over the collection, deposit and safeguarding of cash and other revenues.
2. Ensure the department has adequate policies and procedures for revenue collection activities.
3. Identify improvement opportunities with the accounting procedures used in the department.

Scope and Methodology

The scope of this audit included the current practices and procedures used by the Public Works Department to receive, handle, record, safeguard, and deposit/transmit cash and cash equivalents (checks and credit card payments). In some instances, non-current records were reviewed to gain a better understanding of operations.

The information used to complete the objectives was obtained primarily through discussion with various staff, observation of daily procedures, examination of financial records, examination of bank documents, and review of the written procedures. This audit included unannounced cash counts at various Public Works collection locations and a review of accounting records as considered necessary in the circumstances. We also made inquiries of Risk Management in regard to employee bonds.

Findings, Recommendations, and Management's Response:

The Internal Auditor appreciates the courtesy and cooperation extended by the Public Works Department during the audit. Based on the audit work performed, the following recommendations are made to management that may serve to further enhance controls within the department:

1. Landfill Operations

The Solid Waste Management Division of the Public Works Department operates the city landfill. Generally, one weighmaster works at the Scale House and is responsible for weighing customer vehicles and collecting the related landfill tipping fees. Fees charged for the disposal of trash are generally based on weight and include minimum dumping fees. The customer's vehicle is weighed when it enters the landfill while full of trash and then weighed empty as the vehicle exits the landfill. A computerized cash registering system calculates the difference in the weight of the trash dumped at the landfill and the amount of the tipping fees due.

Customers can pay at the time of service, establish a voucher account where prepaid vouchers are purchased from the city's Finance Department at a discounted rate, or establish a charge account at the landfill. Landfill tipping fees totaled approximately \$3.2 million for the year ended June 30, 2008.

- A. Procedures to review and monitor the account aging report need to be improved. The account aging report is used to track customer account balances and amounts due from landfill customers. Employees estimated the amount due from customers at September 29, 2008 was approximately \$32,108 while the account aging report shows a net of \$1,049,384 was due. Some customer account balances listed on the report have not been properly updated to reflect all payments made and other account balances are inaccurate. For example, payments totaling \$268,396 were posted to two inter-department customer accounts in June 2008 for some payments dating as early as July 2003 that were not posted. In another example, the account balance at September 29, 2008 for one prepaid voucher customer was shown to be \$5,128 when the account balance should have been zero because the prepaid voucher amount was refunded to the customer in December 2003. Also, the account aging report listed several inactive customers.

An accurate account aging report is necessary to facilitate the monitoring of amounts due the city and to help maximize collections.

- B. The division has not developed formal written policies and procedures outlining specific steps and criteria to be followed for its landfill billing and collection activities, such as establishing a minimum account balance for voucher customers, adjusting customer accounts, refunding, adding and/or deactivating accounts, writing-off delinquent accounts receivables, and forwarding accounts to the city Law Department for collection.

Formal written procedures are necessary to ensure that all accounts are accurately and uniformly processed.

- C. Employee's who collect receipts at the landfill have the capability to void receipts and record adjustments without independent approval. Current staffing does not allow for a separate person to perform or approve these transactions when they occur; however, the computer system has the capability of generating a report of voided payments or total adjustments made to customer accounts. This report is not generated or reviewed.

Upon our request, staff generated a report of voided transactions which indicated 316 transactions were voided totaling \$16,954 for the year ended June 30, 2008.

Voided transactions or adjustments represent sensitive transactions because they decrease cash collections. To help ensure that errors and irregularities are detected, the division should require that all voids and adjustments be properly monitored and reviewed by a supervisor.

Also, the landfill has security cameras monitoring vehicles entering and leaving the facility. The security information is not periodically reviewed in conjunction with payment information to ensure all payments are recorded properly.

- D. Procedures to account for the numerical sequence of ticket numbers need improvement. The landfill's computerized receipt system assigns ticket numbers to each customer as they enter the landfill and their vehicle is weighed. These ticket numbers are not reviewed by the division's administrative office to ensure all amounts received by the landfill have been reported.

Accounting for the numerical sequence of ticket numbers is necessary to ensure proper recording and accountability of all receipts.

- E. The software used by the division to track customer receipts allows the user to alter the date before processing transactions. For example, customer records show the administrative assistant responsible for recording voucher payments and receipts for other customer billings totaling \$137,458 on June 13, 2007 for payments dating back to July 2003 when the administrative assistant did not become an employee of the division until November 2007. The employee indicated the date was changed in an effort to record payments that had been received in prior years but never recorded.

Good computer accounting software controls should prevent users from having the ability to alter the receipt date when recording payments.

- F. Access to the Landfill's computer files and programs are not adequately restricted. Passwords and user identifications (IDs) are not promptly deleted upon employee termination or transfer. For example, one individual who is no longer employed by the division still had access to the program files. In addition, passwords are not changed periodically to ensure that they remain confidential.

Passwords and IDs should be promptly deleted upon employee termination or transfer to reduce the possibility of unauthorized users gaining access to the computer system. Also, passwords should be changed periodically to prevent unauthorized access to computer files.

Recommendations:

- A. An accurate account aging report should be prepared and used to monitor the amounts due to the city.
- B. Develop written policies and procedures outlining specific steps and criteria to be followed for landfill billing and collection activities.
- C. Limit employee's access to void receipts or make adjustments to the automated system. If such access cannot be limited, develop compensating control procedures to provide independent review and monitoring of these transactions.
- D. Ensure the numerical sequence of ticket numbers is accounted for properly.
- E. Establish control procedures to ensure an accurate date is recorded on all customer transactions.
- F. Delete passwords and IDs promptly upon employee termination or transfer. Also, ensure passwords are periodically changed.

Management's Response:

- A. *It is agreed that an accurate aging report for all customers is necessary to facilitate the monitoring of account balances and amounts due from landfill customers. Individual customer account balances are maintained and monitored by the Solid Waste Division through the Landfill Wasteworks Software System (Wasteworks), which was acquired in 1999. The Wasteworks program is a "stand-alone" software program to track individual customer accounts which does not interact with the city's accounting system. The three landfill customer "types" include voucher customers, cash customers, and charge customers that are subsequently billed and invoiced based on their landfill usage.*

The Division has implemented an Account Aging System based on the data within Wasteworks to improve the tracking of the customer account balances. This system was under development at the time of the audit. The system reports the current account balances of each customer on a 30, 60, 90, and over 90 day basis by customer type.

In preparing the Aging System, the Division undertook a comprehensive review and reconciliation of all landfill charges and payments received from cash, voucher and charge customers as shown in Wasteworks compared to the city's accounting system for the period from 1999 to June 30, 2008. Based on the new Aging System and reconciliation through December 18, 2008, all voucher customer accounts were current (payments due within 30 days). All cash customer accounts were also current (payments made within 30 days). Additionally, the majority of public agency charge accounts were current (payments due within 30 days).

Charge customers are limited principally to public agencies, including city departments (Public Works, Health Department etc.) and various state and local government agencies (Greene County, Missouri Department of Transportation, City of Republic, City of Bolivar, etc.). Landfill charges incurred by these customers are entered electronically into Wasteworks when waste is delivered to the Landfill and are invoiced by the Division monthly. Payments from state and other municipal charge customers are received by the Division, remitted to the Finance Department, and recorded into the city's accounting system. Payments from city departments are handled by appropriate staff through interdepartmental billings. Payments and interdepartmental billings received are subsequently entered into Wasteworks to update individual customer account balances.

During the reconciliation process, the Aging System showed that certain public agency charge customers had account balances due beyond 90 days. A detailed review of those charge accounts revealed that some city departmental accounts in Wasteworks were not properly updated to reflect all interdepartmental billings made into the city's accounting system prior to 2007. As a result, these account balances in Wasteworks showed that some city departments owned money when in fact they had made their payments.

Adjustments have been made in Wasteworks to properly record these past payments made prior to 2007 and over 70% of the city departmental account balances due beyond 90 days have been reconciled and closed. The remaining balance for these customers was \$142,171.32 as of December 18, 2008. Based on the reconciliation of payments made between 1999 through 2008 (10 years), this remaining balance averages to approximately \$14.2K per year. Division staff has been directed to continue researching and reconciling these internal accounts to the extent practical. With these exceptions, all other city departmental charge accounts were current as of December 18, 2008.

Of the remaining public agency (non-city) charge account balances, a majority (53%) are “good will” disposal charges waived by the City since 2001 to support State and County roadside litter abatement programs. The accumulated balance of “good will” charges was \$165,257.23 as of December 18, 2008. Although required to be recorded into Wasteworks, these “good will” balances waived by the City should be distinguished separately from amounts actually due from customers. The Division will explore options to do this.

Division staff has been directed to keep the customer account balances in Wasteworks updated and current, monitor delinquent accounts over 90 days old, and review “good will” charges to insure their validity.

- B. While the Solid Waste Division maintains written cash handling procedures, additional written procedures would be beneficial for revenue collection. The Division is preparing written policies for the accounting, reporting, billing and collection of all voucher and charge account landfill tipping fees. These new procedures will codify the policies for all landfill cash, voucher and credit customers that have been in standard operating practice within the Division. When completed, the new policies and procedures will address customer account creation and closure, account adjustments and reconciliations, refunds, interest charges and late fees on unpaid balances, customer statements and invoicing, system security, employee accountability, and coordination/communication between Wasteworks and the City’s Oracle accounting system.*
- C. During fiscal year 2007-2008, there were 32,035 customer transactions at the landfill, generating over \$3.2 million in tipping fee revenues. As noted, a total of 316 of these transactions were voided by a landfill weighmaster totaling \$16,954. This represents an average of just over 1 transaction per day (307 landfill operating days), less than 1% of all transactions, and 0.5% of total tipping fee revenues.*

While there are no findings that any of these voided transactions resulted in a financial loss to the City, the Division recognizes the potential risk associated with voided transactions. Voided transactions occur for a variety of reasons, including incorrect customer identification, misreporting of material type, customer or weighmaster error and customer choice not to dump. The largest single voided transaction was for \$501.95 (for a wrong material classification). The average voided amount was \$94.44. In the course of business, voids have been generated by all landfill weighmasters.

All voided transactions are immediately documented by the weighmaster as to date, time, amount, customer if known, and the reason for the void. The voided information is transmitted daily to the Division offices, which maintain a record of all voided transactions. Historically, large voids or repeated voids by a specific weighmaster were approved by the Division Superintendent in consultation with

the Landfill Supervisor. The Landfill Supervisor is now reviewing all voids on a daily basis.

The security cameras at the landfill scale house have been particularly helpful in clarifying/resolving customer payment questions and in reviewing specific transactions of interest. Four (4) security cameras have been installed at the landfill scale house (two inbound and two outbound), each recording 50+ hours per week of daily operations. The Division is developing a protocol for selecting and randomly reviewing these tapes on a bi-weekly basis.

To help minimize voids, reduce cash handling, and enhance convenience for the customers, the Division is considering implementation of a credit/debit card system for landfill transactions beginning in 2009. Before proceeding, a determination will be made if a credit/debit card system would be cost-effective in regards to the bank transaction fees that would be incurred.

- D. A continuing part of Wasteworks is the daily production of a ticket report, which lists all landfill transactions in numerical sequence and by customer account. This report is computer generated and includes all voided tickets that may have occurred that day. The daily ticket report is printed by the Division's Administrative Assistant. Once printed, the ticket report cannot be reprinted or modified by any system user. The Administrative Assistant has started reviewing the report to ensure all ticket numbers are accounted for properly. A printed summary of the ticket report is also compared with the daily cash remittance report.*
- E. All of the voucher credit entries in Wasteworks have been corrected to the date entered by the Division. All customer payments and credits reported to the Division will be entered in Wasteworks on the dates received in the Division. The Division has made an inquiry to Wasteworks and has modified the software to prevent back dating the receipt date when entering data.*
- F. Full access to Wasteworks is restricted to two (2) Division employees: the Administrative Assistant responsible for maintaining the system and the Environmental Technician responsible for landfill compliance (and as an emergency backup). In the past, two additional employees were authorized temporary access to the full program to help maintain the system when the Administrative Assistant position was vacant (position has been vacant on five (5) separate occurrences since 2001).*

In the example noted, the Administrative Assistant responsible for maintaining Wasteworks transferred to another city department in September 2007. The position remained vacant for eight (8) weeks until November. During that period, the transferred employee was authorized to retain remote access to Wasteworks to help maintain essential program services. After November, the transferred employee was authorized to continue access to Wasteworks for training and

support purposes. That employee continues to work with the other city department, and has been consulted periodically with reference to historic Wasteworks accounts and transactions. This employee's access was terminated October 2008.

All system users were directed to change their respective ID's and passwords effective January 2009. System users have also been directed to periodically and randomly change their respective passwords.

2. Recycling Centers

The Solid Waste Management Division of the Public Works Department also operates the city recycling centers. The recycling centers accept donations, collect brush disposal fees, and sell bulk and bagged compost and wood mulch products. Recycling center collections totaled approximately \$316,000 for the year ended June 30, 2008.

- A. The division has not developed adequate procedures to ensure recycling center locations are reporting all of the monies received. For example, the cash registering system used at the two Yardwaste Recycling Center (YRC) collection sites have cumulative receipt totals and cash registering tape numbers to help account for monies received; however, the division does not review this information to ensure all recorded receipts have been properly transmitted to the city.

Without a periodic review of cash register totals or tape numbers the division has no assurance that all receipts are properly accounted for.

- B. Employee's who receive recycling center fees have the capability to void receipts without independent approval. Current staffing does not allow for a supervisor to approve these transactions when they occur and voided transactions are not regularly monitored. Voided transactions totaled approximately \$6,700 for the six months ended June 30, 2008 for one cash register at the YRC which had collections of approximately \$96,000. The other cash register at the YRC had voided transactions of approximately \$1,000 during the same period while total collections were approximately \$55,000.

Voided transactions represent sensitive transactions because they decrease cash collections. To help ensure that errors and irregularities are detected, the division should require that all voids be properly reviewed by a supervisor.

- C. Remittance forms are not always prepared on a timely basis. For example, the remittance form for monies deposited on August 12, 2008 was not submitted to the Finance Department until September 5, 2008. Remittance forms are prepared by the department to report revenue amounts deposited into the city's bank account to the Finance Department.

To properly report all receipts and to help the Finance Department ensure they are deposited, remittance forms should be prepared on a timely basis.

Recommendations:

- A. Develop procedures to ensure the completeness of receipt information reported by the recycling centers.
- B. Limit employee's capability to void receipts or develop compensating control procedures to provide an independent review of these transactions.
- C. Ensure remittance forms are prepared on a timely basis.

Management's Response:

- A. *The Division has implemented a written log of all cash register tape numbers to confirm that all tape numbers are consecutive and accounted for. This log is prepared by the Recycling Center's Supervisor. Cash receipts received at all Recycling Centers are collected daily with the daily register tapes or receipt books and secured in two safes, one at the Southwest Wastewater Treatment Plant and one in the Division offices. These cash receipts and the daily register tapes are counted and verified twice weekly by the Recycling Center's Supervisor and one other Division employee (who may vary depending on staff availability) in the Division offices.*

After counting, all cash receipts are deposited by the supervisor to the city's bank account. All corresponding register tapes are forwarded on the same day to the Public Works Department administrative office. The bank recounts and confirms all cash receipts deposited and sends a confirming validated deposit slip to the Division, which is then forwarded to the Public Works administrative offices. The department's administrative office reviews the daily register tapes with the confirming bank deposit once it is received, notes any differences, and prepares the remittance to Finance. Additionally, the bank will report any variation in the cash receipts recorded on the Divisions deposit slip and the bank's cash recount and their confirming deposit slip. All variations and differences between the daily tapes and the bank deposit slip are brought to the attention of the Division Superintendent for follow up and verification.

- B. *While there are no findings that any of these voided transactions resulted in a financial loss to the City, the Division recognizes the potential risk associated with voided transactions. In fiscal year 2008, the Yardwaste Recycling Center and adjacent Brush Lot served an average of 7,395 customers monthly (significantly higher in the Spring and Fall months). During that year, total revenues received from product sales and service fees for brush disposal averaged \$23,285 per month.*

A majority of the voids during fiscal year 2008 occurred due to data entry error and corrected before the transaction was completed. Both voided and completed

receipts are shown on the register transaction report. Other voided transactions typically occurred because the customer chose not to use the brush lot. All voided transactions are forwarded with the daily cash receipts and register tapes (or written receipts) to the Division offices for review and verification by Recycling Center's Supervisor. All voided receipts are now logged and retained in the Division offices.

- C. *This audit finding is not in reference to the timely deposit of funds at the bank. However, after a deposit is made, it typically takes several business days to receive the confirming deposit slip from the bank. Once it is received from the bank, the remittance form should be prepared on a timely basis. In the example noted, the employee that prepares the remittance was on scheduled vacation during this time period for approximately eleven (11) calendar days. During future vacation periods of this employee, remittances will be prepared by other staff once the confirming deposit slip is available from the bank.*

3. Sanitary Services and Traffic Engineering

The Sanitary Services Division of the Public Works Department maintains the wastewater collection system and two treatment plants. Services are provided to city residents, surrounding Greene County, and the communities of Willard, Battlefield, and Strafford.

The Sanitary Services Division collects payments for sewer permits and land rental fees. Also, in an effort to encourage city residents who are served by septic systems to connect to the sanitary sewer system, the city established a loan program to assist property owners in financing the costs of sewer installation. The city will provide a maximum of \$1,500 for the installation of sewer lateral to be repaid over 10 years at six percent per annum.

The Traffic Engineering Division of the Public Works Department is responsible for traffic planning and design, sign and signal operations, and traffic data collection.

This division collects fees for driveway permits and excavation permits along with other revenues such as payments for sign damage and street repairs.

The administrative offices for the Sanitary Services Division and Traffic Engineering Division are located in the same office. These divisions collected approximately \$915,000 and \$453,000, respectively, for the year ended June 30, 2008.

- A. Accounting duties have not been adequately segregated. The administrative assistant for each division collects fees, records transactions, processes loans/permits, and transmits fees collected. The administrative assistant for each division prepares a log of the collections for the other clerk, however, these logs are not reviewed to ensure all monies logged were properly recorded and transmitted to the city's Finance Department.

Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed.

- B. A comprehensive control ledger showing the total amount owed for sewer loans is not maintained and individual loan information is not maintained in a manner that makes loan balances readily accessible. When residents make payments, the payments are entered into the computer system to track receipts; however, the computer system does not track the loan balance. Individual manual records are also maintained but do not track the loan balance. Instead, these records track the payment dates. While the payment sheet allows the division to track if a monthly payment was made it does not track the running balance of loan amount owed. Upon our request, staff estimated \$135,000 was currently due as of November 2008 from 113 outstanding loans.

A comprehensive control ledger showing the total amounts owed by residents would allow the division to properly monitor the amounts due. Proper and timely follow-up action of amounts due to the city is necessary to help maximize revenues.

- C. The divisions do not have an adequate password system or procedures to restrict access to the computer system. Passwords are used, but passwords are not always kept confidential.

Passwords should be kept confidential to reduce the possibility of unauthorized users and provide increased accountability.

Recommendations:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed.
- B. Maintain a comprehensive control ledger to track the loan amounts due.
- C. Implement an adequate password system by ensuring passwords remain confidential.

Management's Response:

- A. *While management concurs that segregation of duties would provide value, this option would likely increase expenses for additional staffing. A receipt log was previously established for Sanitary Services and Traffic Engineering so that the Administrative Assistant for each Division could track each other's payments received through the mail. Payments received by the Sanitary Services Administrative Assistant for lateral loan payments, land rental payments, sewer*

usage fees by other municipalities, and other non-tidemark payments are logged by the Traffic Engineering Administrative Assistant as received through the mail. Payments received for the Traffic Engineering Administrative Assistant such as street cut billing or insurance payments for sign and signal damage are kept on a log by the Sanitary Services Administrative Assistant as received. Periodic supervisory review of the logs and accounting records will be conducted by Sanitary Services and/or Traffic Engineering supervisors.

- B. A comprehensive control ledger has been established to track the outstanding loan balances. A supervisor reviews the control ledger monthly and initials the ledger.*
- C. Individual passwords for the Tidemark System and the Oracle Accounting System have always remained confidential and are not shared between the two administrative employees. In the event that one is unavailable, the other is sometimes called upon to handle work for the other Division. This requires that each has access to the other's computer for schedules, emails, word and excel documents. As a result, the "log in" password for the other's desktop computer is necessary. While this is not preferred, it has been considered necessary in order for the two administrative assistants to work together and help each other for their respective divisions to maximize efficiency.*

4. Wastewater Maintenance

The Wastewater Maintenance section of the Sanitary Services Division of the Public Works Department maintains the wastewater collection system.

This section is responsible for the collection of disposal fees charged to waste haulers who dispose of waste at the Southwest Treatment Plant. Fees are charged based on a manifest report which is required for each source of wastewater. Additional fees for high strength wastes are also collected by Wastewater Maintenance. Haulers are invoiced monthly for disposal fees or high strength charges. The Wastewater Maintenance section remitted approximately \$767,000 for the year ended June 30, 2008.

- A. An immediate record of receipts is not maintained for all monies received from waste haulers. Receipt slips are not issued for monies received and a receipt log is not kept of these monies.

To properly account for all receipts, prenumbered receipt slips should be issued or receipts should be recorded on a log immediately upon receipt. Also, city established Financial Control Procedures require receipt slips be issued for receipt transactions unless other control measures have been established and approved by the Director of Finance.

- B. Improvements are needed to monitor hauled waste disposed at the Southwest Treatment Plant. Waste haulers disposing of waste at the treatment plant are

required to complete a manifest and drop it in a mailbox at the plant. However, there is no attendant at the facility to monitor disposals by the waste haulers. Instead, video surveillance is used to monitor waste haulers activity. Each day the video surveillance information is reviewed by an employee who is responsible for creating a log of all vehicles that disposed of waste at the facility. The vehicle activity logged on this report is not compared to the manifests turned in to ensure all waste haulers have reported the proper amount of waste disposed.

To help ensure all disposal fees are properly billed, the city should periodically review and compare information from the video surveillance to the manifest forms submitted by the waste haulers.

Recommendations:

- A. Require an immediate record of all monies received be maintained and periodically reviewed.
- B. Periodically review and compare information from the video surveillance to the manifest forms submitted by the waste haulers.

Management's Response:

This section primarily encompasses overlapping responsibilities within the Sanitary Services Division. Industrial Pretreatment oversees billing and customer service. These functions are handled by the Revenue Technician, who coordinates sewer billing between customers, the sewer system, and City Utilities. This section also tracks and invoices high strength surcharges through the sampling of industries and invoicing hauled wastewater charges. The billing of hauled wastewater (pumped from septic tanks or restaurants grease traps) is established through a system of manifests provided by the hauler as loads are discharged at each of the Treatment Plants (Southwest and Northwest Plants).

- A. *A receipt log has been implemented and is being maintained, which should satisfy the recommendation for distributing receipts. The receipt log records the payment amount, payment date, check number, who the payment was from, and the invoice number. Attempts have been made in the past to distribute paper receipts after payments were made, but it was difficult to get many of those making payments to accept the receipt. Receipts may be reestablished in the future in lieu of the receipt log.*
- B. *The primary purpose for video surveillance has been to identify dischargers that brought in toxic or incompatible wastes. The vehicle log developed from the video had not been routinely compared with the manifests retrieved from the plant. This procedure has been changed. Once a week the manifests and vehicle logs will be retrieved from the plant and compared with each other for a random 24 hour period.*

Improvements have been made over time in accepting and billing for wastewater discharged by haulers. This includes the use of video surveillance, enhanced security, and upgrading the receiving stations at both plants. Additional improvements which are planned in the near future include:

- Installation of a card-operated gate at the front entrance to the plant to monitor and control the entrance. In addition to opening the front entrance gate, the system will allow the operation of a valve that will permit discharge of wastewater only after the card activates the receiving station. This system will monitor which hauler enters the plant and whether they used the receiving station.*
- The card system has been installed at the Northwest Plant and is ready for implementation. For a given hauler and truck, the same card can be used at either plant.*
- A requirement will be put in place for the haulers to have their company name on the side of their truck, including the permit number in sufficient size and location where it can be easily read.*
- To improve security, cameras will be installed in other locations within the plant to view areas that haulers may discharge.*

5. Hazelwood Cemetery

The Public Grounds group within the Operations Division of Public Works is responsible for maintaining Hazelwood Cemetery. The cemetery was opened in 1867 and is the largest city-owned cemetery in the state with over 44,000 grave spaces. In addition to the maintaining the grounds, Public Grounds conducts lot sales and performs burial services for the Cemetery. Finance Department records indicate the cemetery remitted approximately \$72,700 for the year ended June 30, 2008.

- A. The duties of receiving, recording, and transmitting cemetery receipts are not adequately segregated. Currently, the administrative assistant at the cemetery performs all of these duties. Also, there is no supervisory review performed of the administrative assistant's functions by an independent person such as an independent reconciliation between receipts and deposits.

Internal controls would be improved by segregating the duties of receiving, recording, and transmitting receipts. If proper segregation of duties cannot be achieved, at a minimum, periodic supervisory reviews of the accounting records should be performed.

- B. Receipt and other information tracked in the cemetery software program can be deleted or changed by the administrative assistant and the program does not provide an audit trail. Lack of an audit trail increases the risk that errors or irregularities in collections could go undetected.

- C. The cemetery does not have an adequate password system or procedures to restrict access to the computer system. Passwords are used, but passwords are not always kept confidential. In addition, passwords are not changed periodically to ensure that they remain confidential.

Passwords should be changed periodically and kept confidential to reduce the possibility of unauthorized users and provide increased accountability.

Recommendations:

- A. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed.
- B. Ensure that the system creates an adequate audit trail for all receipting transactions that cannot be circumvented or changed.
- C. Implement an adequate password system where passwords are periodically changed and remain confidential.

Management's Response:

- A. *While management concurs segregation of duties would provide value, due to the location of the cemetery, this option would increase expenses for additional staffing. Therefore, the supervisor will perform periodic reviews of the records as a compensating control. Division management will request the city's Information Systems Department to develop reports to aid the supervisor in these periodic reviews.*
- B. *Management agrees an adequate audit trail should be created by the cemetery software program to help ensure that transactions cannot be circumvented or changed. Since the software was developed in-house by the City's Information Systems (IS) Department, Division management will request the IS Department to provide preventative measures to the software program so that receipt and other information cannot be deleted or changed by the Administrative Assistant. If such changes are required, the supervisor will only be allowed to make the change and an adequate audit trail will be established.*
- C. *Management agrees passwords should be changed periodically and kept confidential. Division management will request the IS Department to provide a means of requiring periodic password changes for access to the cemetery computers and software programs and will require staff to keep their passwords confidential.*